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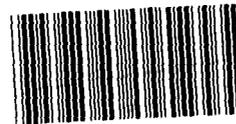
Testimony

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GAO's Comments on the Reauthorization
of the Office of Federal Procurement
Policy (OFPP)

Statement of
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Before the
Subcommittee on Legislation and
National Security
Committee on Government Operations
United States House of Representatives



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Mr. Chairman and Members of the Subcommittee:

We appreciate this opportunity to testify in support of reauthorizing the Office of Federal Procurement Policy.

As envisioned by the Commission on Government Procurement, OFPP was to play a vital role in achieving greater efficiency and effectiveness in the federal procurement process. Although active since its establishment in 1974, OFPP has not fully lived up to initial expectations. In light of this uneven performance, over the past 13 years and in anticipation of these hearings, we have undertaken an inquiry into such key issues as:

- Whether there is still need for a central government-wide procurement policy-making office,
- If a need does exist, whether OFPP should be that policy-making office and whether it should remain in OMB, and
- Whether changes to OFPP's current charter might be adopted to make it more effective.

In addressing these questions we talked with approximately 100 procurement executives in both government and private industry and would like to share some observations with you.

First, as to whether there is need for a central office of federal procurement policy, the answer from both industry and government experts is emphatically yes, with over 75 percent being of the view that the need is great. While industry and government points of view may stem from different concerns, both groups clearly have legitimate needs which have not yet been adequately met. Industry strongly considers that there is continuing need for a single central office to ensure that government agencies operate under a consistent set of policies and procedures. Government procurement executives see the need for a central focal point to coordinate executive branch procurement policy and to deal with such issues as enhancing the quality of the government's procurement workforce.

Reauthorization of OFPP is the best way to meet the identified need. While the record of OFPP's accomplishments since its establishment in 1974 has been uneven, progress has been achieved making it useful to extend the life of OFPP's authority. The Federal Acquisition Regulation implementing the goals of a uniform Federal procurement system has become a reality and the Competition in Contracting Act providing for tighter administration of the procurement process has become law largely through the work of your committee. A number of studies have been completed by past Administrators of OFPP and significant OMB circulars developed. More recently, the current Administrator of OFPP has initiated action to address concerns related to the FAR process itself and he has filled many long-standing vacancies within his office. These accomplishments provide a firm base for further progress which together with a continually growing concern over complexities of the Federal procurement process make it important, in my view, to give OFPP an opportunity to effect the kind of leadership initially

expected of it. In light of the many procurement issues requiring strong policy leadership it would be a mistake to give up at this time the central focus afforded by OFPP.

You will recall that the Commission on Government Procurement grappled with the issue of where to locate OFPP. There still is no clear cut-basis for resolving differing viewpoints on this issue. While a majority of those we questioned expressed the view that OFPP is best placed within OMB, there was also strong minority sentiment for an OFPP that would be fully independent. In our judgment OFPP should remain within OMB. We would agree with those who argue that linkage to OMB is necessary to provide OFPP the required prestige and clout to get things done.

Before concluding, I would refer to two bills which have been introduced providing additional functions for OFPP-- S. 852 and H.R. 1848. Each would make OFPP responsible for promulgating, amending, and interpreting cost accounting

standards applicable under Federal contracts and for making studies as to the profitability of companies providing goods and services to the Federal government under negotiated contracts based on cost and pricing data.

We would support the basic thrust of S. 852 and H.R. 1848 as covering useful and needed functions most logically to be carried out by OFPP. Responsibility for the cost accounting standards function would be assumed by OFPP without reestablishing the Cost Accounting Standards Board and could be carried out by OFPP with a minimum of additional staff.

Our soon to be issued report on the subject of profitability studies will provide a comprehensive proposal in support of legislation required to make meaningful profitability analyses on a periodic basis. This function, too, could readily be assumed by OFPP with a minimum of additional staff. We do recognize that there are industry concerns over establishing a mandatory program

for reporting profit data, but these should not be
insurmountable.

We would be happy to work with your committee and the
administration to develop this legislation and to address the
concerns that have been raised.

That, Mr. Chairman, concludes my prepared remarks. I would
be happy to address your questions at this time.